



STATE OF WASHINGTON

## OFFICE OF THE FORECAST COUNCIL

*Capitol Plaza Building, PO Box 40912 • Olympia, Washington 98504-0912 • (360) 570-6100*

August 12, 2002

**TO:** Senator Sid Snyder, Chair  
Senator Dino Rossi  
Representative Jack Cairnes  
Representative Jeff Gombosky  
Marty Brown, OFM, Director  
Will Rice, DOR, Acting Director

**FROM:** Chang Mook Sohn, Executive Director  
Office of the Forecast Council

**SUBJECT:** August 10, 2002 REVENUE COLLECTION REPORT

General Fund-State tax receipts were \$7.1 million below the estimate in the July 11- August 10 collection period. Weaker than anticipated Revenue Act receipts (retail sales, use, business and occupation and public utility taxes) accounted for this month's shortfall. Non Revenue Act receipts were again higher than the estimate for the month primarily due to higher than expected estate tax receipts. Most other Non Revenue Act taxes were also below the estimate for the month. Despite the shortfall this month, General Fund-State receipts are still \$21.4 million above expectations for the two months since the June forecast due to a large positive variance last month. Revised Gross Domestic Product numbers show that the U.S. economy grew slower than previously thought and weaker than expected employment growth, a large drop in consumer confidence and a softening manufacturing sector has increased the uncertainty as to the strength of the recovery. Nevertheless, at this point revenue collections indicate that the June GFS revenue forecast is still on track.

Revenue Act collections in the July 11-August 10 collection period were \$10.4 million less than expected. Collections this month primarily reflect June 2002 business activity of monthly taxpayers and April-June activity of quarterly filers. Revenue Act receipts this period were 4.5 percent below the year-ago level, adjusting for legislation and special factors. After two months of positive growth (3.0 percent last month and 0.7 percent two months ago) this period's decline is a setback. The decline this month pushes growth for the second quarter of 2002 into negative territory for the fourth consecutive quarter. However, the 0.6 percent decline in the second quarter is much less than the 2.3 percent decline last quarter and the 2.4 percent decline experienced over the last nine months. While economic data indicates that the economy has much less momentum than previously thought, the likelihood of a "double-dip" remains small. However, weaker

employment gains and lower confidence could translate into a little slower economic growth than was assumed in the June forecast.

Preliminary data on taxes paid during the July 11-August 10 collection period indicate weakness in most sectors. The retailing sector was up less than 1 percent while non-retailing sectors were down about 7 percent. Within retailing, the building materials/hardware sector reported the largest increase (14.4 percent) while the apparel/accessories, furniture/household equipment and miscellaneous retailing sectors reported declines. The general merchandise sector reported a 6.5 percent increase in tax payments. Outside retailing, all major sectors reported tax payments below the year-ago level. Tax payments from the construction sector were about 1.0 percent less than a year ago while the wholesaling sector reported a 12.0 percent decline in tax payments.

Non Revenue Act General Fund taxes collected by the Department of Revenue were again higher than expected this period. For the month, Non Revenue Act taxes were \$3.4 million above the forecast. This increases the Cumulative positive variance for the two months since the June forecast Non Revenue Act receipts to a relatively large \$18.7 million. For the month strong estate tax payments more than offset weaker than expected cigarette, liquor, property and real estate excise tax receipts.

Real estate excise activity weakened a little in June, pretty much in line with the June forecast. June 2002 real estate activity (closings in June reflecting payments to the state in July) increased only 1.8 percent from a year ago, after increasing 9.0 the month earlier. The number of transactions declined 4.1 percent, the first decline since March. For the month activity in King County was weak relative to a year-ago and to the rest of the state. Taxable real estate activity in King County declined 5.7 percent in June while activity increased 7.3 percent in the rest of the state. However, for the calendar year to date, activity in King is up 2.0 percent but is up only 0.6 percent in the rest of the state.

Department of Licensing collections were \$0.2 million below the forecast in July but are \$0.8 million above on the estimate cumulatively since the June forecast.

The attached Table 1 provides a comparison of collections with the June forecast for the July 11- August 10, 2002 collection period. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

**TABLE 1**  
**Revenue Collection Report**  
**August 10, 2002 Collections Compared to the June 2002 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
<b>July 11 - August 10, 2002</b>				
Department of Revenue-Total	\$861,844	\$854,896	(\$6,949)	-0.8%
Revenue Act** (1)	782,535	772,182	(10,353)	-1.3%
Non-Revenue Act(2)	79,309	82,714	3,405	4.3%
Liquor Sales/Liter	7,489	7,267	(221)	-3.0%
Cigarette	4,894	4,407	(487)	-9.9%
Property (State School Levy)	9,937	9,137	(801)	-8.1%
Estate	5,088	9,200	4,112	80.8%
Real Estate Excise	41,729	41,587	(142)	-0.3%
Timber (state share)	0	0	0	NA
Other	10,172	11,116	944	9.3%
Department of Licensing (2)	3,194	2,995	(199)	-6.2%
Lottery (5)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$865,038</b>	<b>\$857,891</b>	<b>(\$7,147)</b>	<b>-0.8%</b>
<b>Cumulative Variance Since the June Forecast (June 11 - August 10, 2002)</b>				
Department of Revenue-Total	\$1,870,483	1,891,049	20,566	1.1%
Revenue Act** (3)	1,414,921	1,416,827	1,907	0.1%
Non-Revenue Act(4)	455,562	474,222	18,660	4.1%
Liquor Sales/Liter	14,631	14,963	332	2.3%
Cigarette	10,365	10,038	(326)	-3.1%
Property (State School Levy)	302,063	311,442	9,380	3.1%
Estate	12,089	15,847	3,757	31.1%
Real Estate Excise	79,114	80,401	1,287	1.6%
Timber (state share)	0	0	(0)	NA
Other	37,300	41,530	4,230	11.3%
Department of Licensing (4)	7,821	8,619	797	10.2%
Lottery (5)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$1,878,304</b>	<b>\$1,899,668</b>	<b>\$21,363</b>	<b>1.1%</b>

1 Collections July 11 - August 10, 2002. Collections primarily reflect June 2002 activity of monthly taxpayers and q2 activity of quarterly filers.

2 July 1-31, 2002 collections.

3 Cumulative collections, estimates and variance since the June 2002 forecast; (June 11-August 10, 2002) and revisions to history.

4 Cumulative collections, estimates and variance since the June 2002 forecast;(June and July 2002) and revisions to history.)

\* Based on the June 2002 economic and revenue forecast.

\*\*The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

\*\*\* Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

**TABLE 2**  
**July 10, 2002 Collection Report - Revised Data**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
<b>June 11 - July 10, 2002</b>				
Department of Revenue-Total	\$1,036,153	\$1,036,153	\$0	0.0%
Revenue Act (1)	644,646	644,646	(0)	-0.0%
Non-Revenue Act(2)	391,508	391,508	(0)	-0.0%
Liquor Sales/Liter	7,696	7,696	0	0.0%
Cigarette	5,631	5,631	0	0.0%
Property (State School Levy)-net	302,306	302,306	(0)	-0.0%
Property tax collections	302,306	302,306	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	ERR
Estate	6,647	6,647	(0)	-0.0%
Real Estate Excise	38,813	38,813	0	0.0%
Timber (state share)	0	0	0	NA
Other	30,414	30,414	0	0.0%
Department of Licensing (2)	4,752	5,623	871	18.3%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$1,040,906	\$1,041,777	\$871	0.1%

**Cumulative Receipts: June 11 - July 10, 2002 & Revisions to History**

Department of Revenue-Total	1,036,153	\$1,036,153	\$0	0.0%
Revenue Act (3)	644,646	644,646	(0)	-0.0%
Non-Revenue Act(4)	391,508	391,508	(0)	-0.0%
Liquor Sales/Liter	7,696	7,696	0	0.0%
Cigarette	5,631	5,631	0	0.0%
Property (State School Levy)-net after transfer	302,306	302,306	(0)	-0.0%
Property tax collections	302,306	302,306	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	6,647	6,647	(0)	-0.0%
Real Estate Excise	38,813	38,813	0	0.0%
Timber (state share)	0	0	0	NA
Other	30,414	30,414	0	0.0%
Department of Licensing (4)	4,752	5,623	871	18.3%
Lottery (4)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$1,040,906</b>	<b>\$1,041,777</b>	<b>\$871</b>	<b>0.1%</b>

P-Preliminary. Reported in the July 10, 2002 collection report.

R Revised data.

1 Collections June 11 - July 10, 2002. Collections primarily reflect May 2002 business activity of monthly taxpayers.

2 June 1-30, 2002 collections.

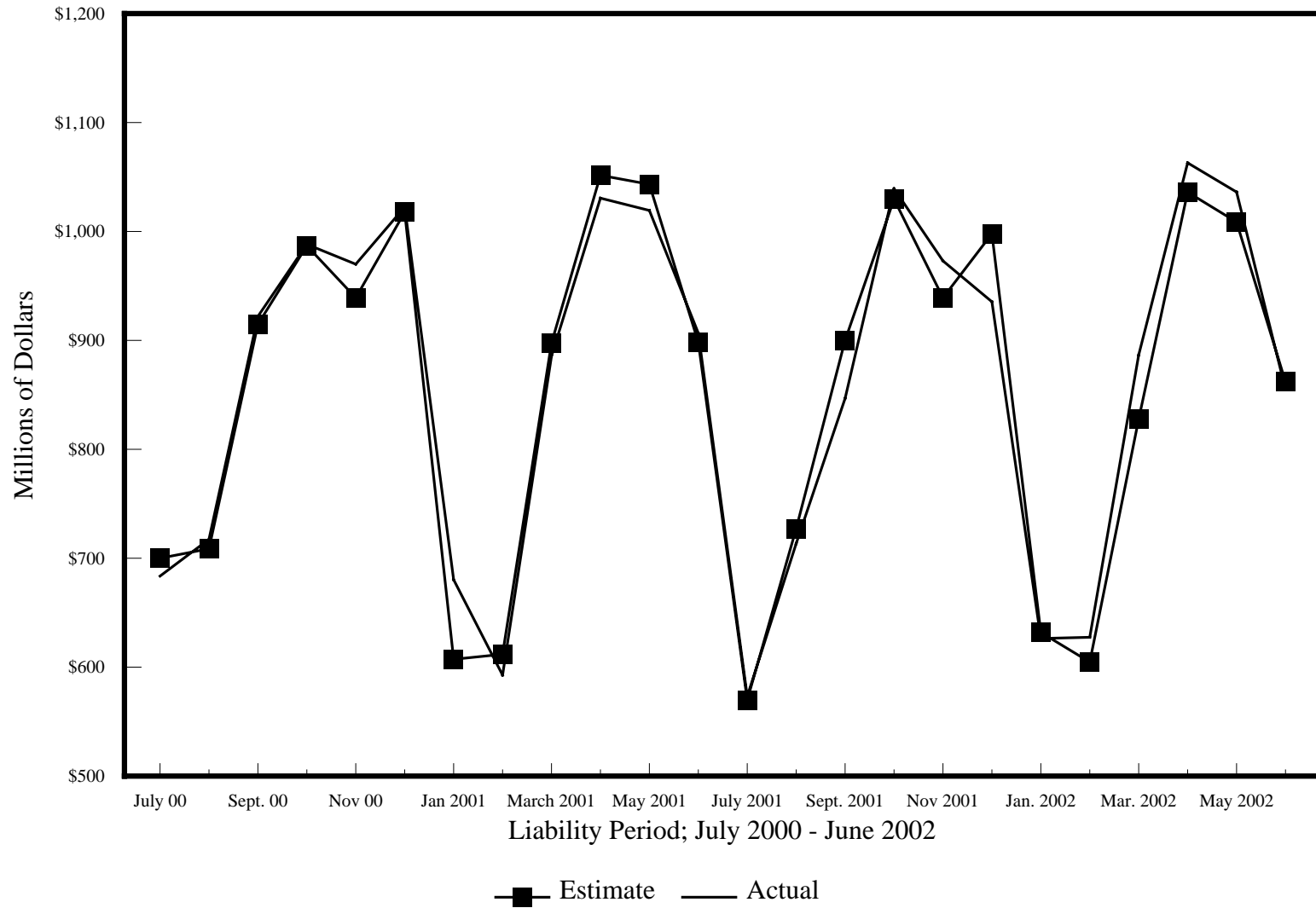
3 Cumulative variance for since the June 2002 forecast: June 11 - July 10, 2002 & revisions to history.

4 Cumulative variance: since the June 2002 forecast (June 2002 ) & revisions to history.

\* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

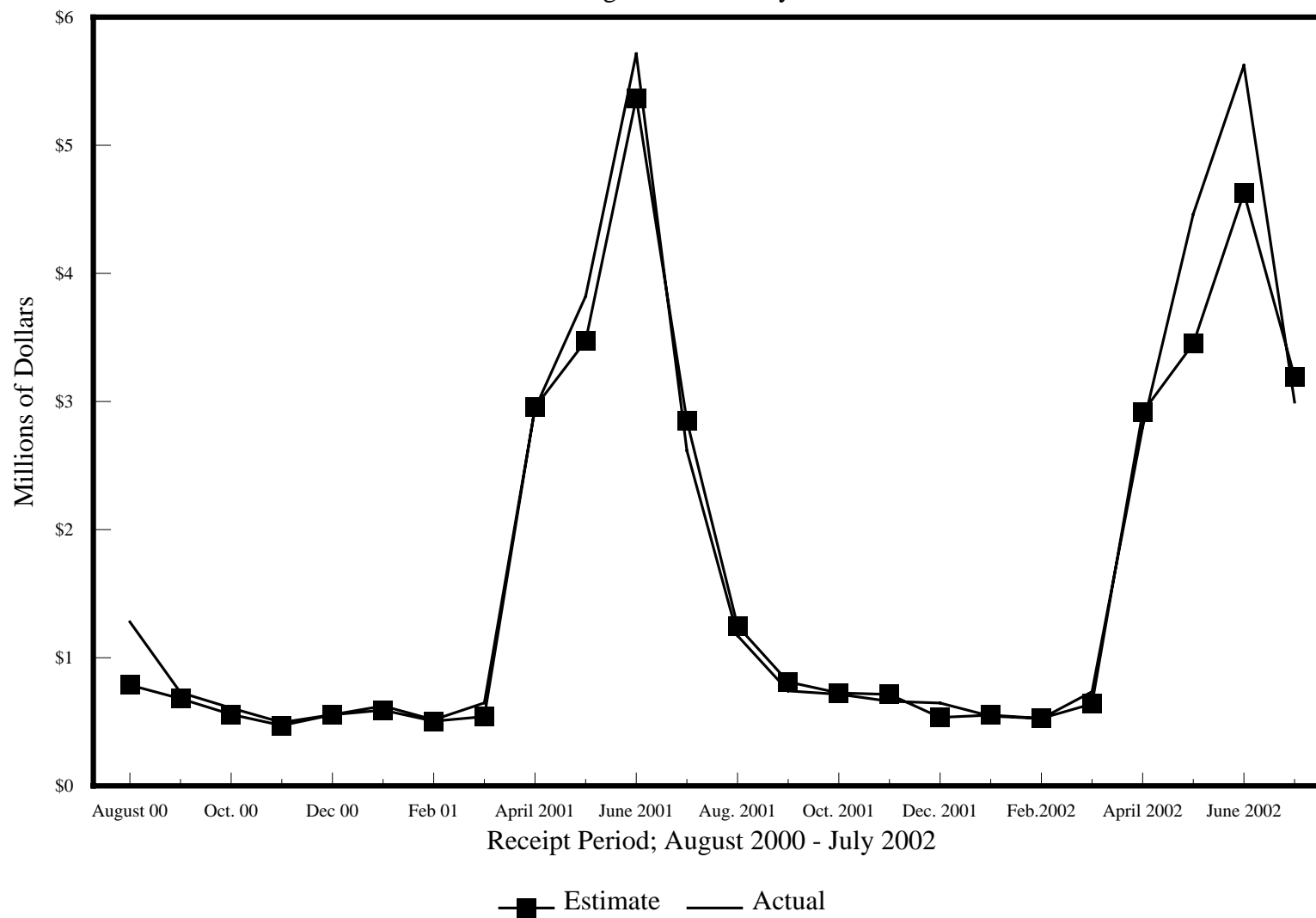
# Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to June 2002



# Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to July 2002



# Revenue Act Net Collections

Year-over-Year Percent Change

